

Congress of the United States
Washington, DC 20515

May 6, 2019

The Honorable Jay Clayton
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Chairman Clayton:

We write to express our concern that the Current Expected Credit Loss accounting standard (CECL) will adversely impact the cost and availability of credit once fully implemented.

Banks of all sizes have shared the detrimental effects that this new accounting standard will have on a variety of popular consumer products, especially during economic downturns. The American Bankers Association (ABA) recently polled midsize and regional banks on the short and long-term impacts of CECL. The data indicates that under the new accounting standard, bank reserves under stress scenarios will spike significantly higher than the losses experienced during the financial crisis.

The composite snapshot assembled by ABA suggests that credit loss allowances may be over five times the amount of today's incurred loss estimates. We are concerned that banks may cut product lines and reduce lending, particularly to low- and moderate-income borrowers who are most in need of greater access to capital. This will raise the costs of essential products such as the 30-year mortgage and small business loans while failing to adequately protect banks from the volatility of economic downturns.

Additionally, under the proposed CECL regime, little credit has been given to the independent and community bankers who have weathered regulatory cycles in this effort. Instead, we are looking at regulating global giants in the same way as your local corner bank. Small banks across the country have a simple enough business model to adequately assess risk without the addition of the costly new CECL standards.

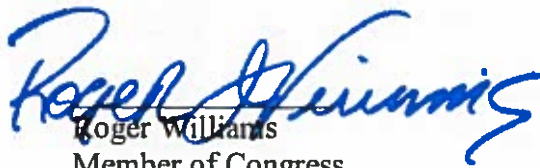
With this in mind, we ask that you reply to the following questions below.

1. Does the SEC plan to evaluate emerging analyses suggesting that CECL will increase the pro-cyclicality of the banking industry?
2. Will the banking agencies provide guidance that addresses the impact of CECL on lending to homebuyers and non-prime borrowers by the regulated banking industry and government sponsored enterprises?

3. Will the banking agencies clarify CECL implementation practices that could improve efficiency, effectiveness, and mitigate unintended consequences?
4. Will the banking agencies issue guidance to banks on assumptions that should be made in assessing the need for additional capital?
5. Will the banking agencies revisit the transition plan because any possible deterioration of the economy following January 1, 2020 could cause significant credit loss provisioning that would not be moderated by the agencies' three-year phase-in of initial regulatory capital impacts?

In the next severe downturn, CECL will hurt banks, but it will hurt the above-mentioned borrowers, and the economy, at least as much and probably much worse. We urge delaying this new accounting standard until the overall effects on the economy are completely understood. Thank you for taking the time to read this letter, and we look forward to your timely response.

Sincerely,



Roger Williams
Member of Congress


Vicente Gonzalez
Member of Congress


Ted Budd
Member of Congress


Alex Mooney
Member of Congress


David Scott
Member of Congress


David Kustoff
Member of Congress



French Hill
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Brad Sherman
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Blaine Luetkemeyer
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Scott Tipton
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Barry Loudermilk
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Steve Stivers
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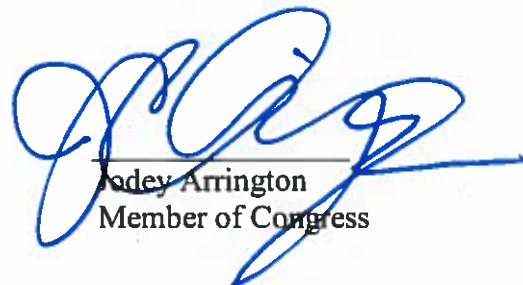
Brian Fitzpatrick
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Denver Lee Riggleman III
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Ann Wagner
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Rodney Arrington
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Lance Gooden
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Warren Davidson
Member of Congress



Peter King
Member of Congress



Bryan Steil
Member of Congress



John Rose
Member of Congress



Anthony Gonzalez
Member of Congress



Trey Hollingsworth
Member of Congress

CC: The Honorable Jelena McWilliams, Chairman of the FDIC
The Honorable Joseph Otting, Comptroller of the Currency